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Arizona Corporation Commission
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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF H2O, INC., FOR AN EXTENSION
OF ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

Docket No: WS-02234A-00-0371

IN THE MATTER OF THE APPLICATION
OF JOHNSON UTILITIES, L.L.C. DBA
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION FOR ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
PROVIDE WATER AND WASTEWATER
SERVICE TO THE PUBLIC IN THE
DESCRIBED AREA IN PINAL COUNTY,
ARIZONA

Docket No: WS-02987A-99-0583

Docket No: WS-02987A-00-0618

**PREFILED REBUTTAL TESTIMONY
OF JAMES T. NATHAN**

1 **Q: Please state your name.**

2 A: James T. Nathan, 7600 E. Doubletree Ranch Road, Scottsdale, Arizona
3 85258
4

5 **Q: Please describe your background and experience.**

6 A: I have owned Nathan & Associates, Inc. for 20 years and have
7 concentrated on master planned communities throughout the Valley. I
8 pride my company on the research we do, which includes lot inventory,
9 growth trends, absorption studies, pricing and other relevant market
10 statistics.
11
12

13 **Q: Please describe your familiarity with the Certificate of Convenience**
14 **and Necessity expansion applications filed by Johnson Utilities and**
15 **H2O.**
16

17 A: I have reviewed the application and projected absorption studies, and
18 understand it completely.
19

20 **Q: Please describe your familiarity with the real estate market in the**
21 **land covered by the expansion application.**
22

23 A: To be specific, I am the procuring broker and have the exclusive listing
24 to market all of Johnson Ranch which is 6000 units, Copper Basin across
25 the street which is 3000 units, Pecan Ranch which is 3000 units, the
26

1 Seville Master Plan in Gilbert which is 3200 units, and Power Ranch in
2 Gilbert which is about 8000 units. Through these master plans I
3 completely understand the market, the utility situation, growth trends,
4 absorption studies and inventory status.
5

6 **Q: Have you reviewed the absorption figures forecast by H2O in their**
7 **expansion application?**
8

9 **A: Yes.**
10

11 **Q: Do you have an opinion regarding the H2O absorption projection?**

12 **A: Yes.**

13 **Q: What is your opinion?**

14 **A: I do not believe that H2O's projections are correct.**
15

16 **Q: What is the basis of your opinion?**

17 **A: The basis of my opinion is that in this water certificate area there is no**
18 **way possible that there will be enough fully improved lots in the year**
19 **2001 to supply the absorption that H2O is predicting. If you back in**
20 **construction timing and status of plats in the water certificate area, one**
21 **will be able to realize that H2O's predictions are incorrect. Even if these**
22 **considerations had no bearing on the situation, other completing projects**
23 **in the area would serve to prevent absorption at a rate anywhere close to**
24 **the projections made by H2O in its filings with the Arizona Corporation**
25
26

1 Commission. Of course, construction timing and plat status cannot be
2 ignored, and the lack of progress with respect to these issues will prevent
3 construction from taking place at the pace projected by H2O.
4

5 **Q: Have you reviewed the absorption figures forecast by Johnson**
6 **Utilities in their expansion application?**
7

8 **A:** Yes I have.
9

10 **Q: Do you have an opinion regarding the absorption figures forecast by**
11 **Johnson Utilities?**
12

13 **A:** Yes.
14

15 **Q: What is your opinion?**

16 **A:** As with H2O's predictions or assumptions, I feel that Johnson Ranch's
17 absorption figures, although more reasonable, are still unattainable in the
18 year 2001.
19

20 **Q: What is the basis of your opinion?**

21 **A:** Knowing the status of the zoning and preliminary plats on all the projects
22 in this water certificate area, I believe that no development could have
23 recorded plats until March or April of 2001. Construction would then
24 take an additional five to six months, which would put finished lots
25
26

1 sometime around September or October of 2001. It is my opinion that
2 the maximum number of utility units for the first year would be +100
3 units. This is based on the current conditions of the projected area.
4

5
6 **Q: If H2O expects to use revenues from new development in the**
7 **expansion area to finance the construction of the facilities in the**
8 **expansion area projections, do you have an opinion about whether**
9 **the development you expect in the area to be sufficient to support the**
10 **extension development proposed by H2O?**
11

12 **A: Yes.**
13

14 **Q: What is your opinion?**

15 **A: Based on these numbers, this is a failure waiting to happen.**

16 **Q: What is the basis of your opinion?**

17 **A: The basis of my opinion is 20 years of marketing master planned**
18 **communities in Maricopa County and Pinal County, and a true**
19 **understanding of realistic absorption figures within this marketplace.**
20

21 **Q: Does this conclude your testimony?**

22 **A: Yes.**
23
24
25
26

VERIFICATION

STATE OF ARIZONA)
County of Maricopa) ss.

James T. Nathan, of lawful age being first duly sworn, deposes and states:

1. My name is James T. Nathan. I am the owner of Nathan & Associates, Inc.
2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

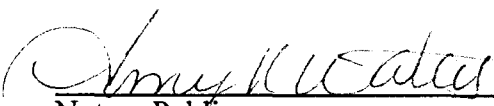
DATED this 6 day of Oct, 2000.

By: 

James T. Nathan
Nathan & Associates, Inc.

SUBSCRIBED AND SWORN to before me this 6th day of

October, 2000.


Notary Public

My Commission Expires:

Sept. 16, 2001

